

Governing with Ideas

On the Phenomenological Roots of the Ordoliberal Tradition

Timo Miettinen

University of Helsinki*

timo.pa.miettinen@helsinki.fi

ABSTRACT. This article deals with ordoliberalism, a school of economics and legal theory that emerged in the 1930s and whose ideas became particularly influential in the shaping of the post-WWII German economic model. Instead of a purely political or economic doctrine, the article approaches ordoliberalism as a philosophical theory that originated as a response to the crisis of economics and scientific reason in general, to the growing dispersion of individual sciences and the loss of their common foundation. By focusing on the relation between Edmund Husserl and Walter Eucken, the founder of ordoliberalism, the article highlights some of the methodological and conceptual innovations that constituted the unique approach of ordoliberalism, namely, its aim to construct economics as a rule-oriented science with a strong emphasis on constitutional choice and institutional issues. According to the main argument, the ordoliberal emphasis on law and executive institutions was a consistent outcome of their theoretical decision to construct economics as a normative science of ideal forms.

In the concluding notes to his *General Theory* (1936) John Maynard Keynes pointed out that despite the pragmatic outlook of modern politics, economists and political philosophers are in fact more influential than is commonly understood. «Practical men who believe themselves to be quite exempt from any intellectual influence», Keynes wrote, «are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.»¹ What Keynes had in mind was not only Marx and the October Revolution, but all more importantly, the influence of classical economists such as Adam Smith, David Ricardo and Jean-Baptiste Say to the political imaginary of European

* Correspondence: Timo Miettinen - Network for European Studies, University of Helsinki, PO Box 54 FI-00014, Helsinki, Finland.

¹ KEYNES 1964, 383.

nations. While it was undeniable that these theorists of free-market capitalism had contributed to the overall democratization of Western nations, they had undermined the consequences of the liberal doctrine in separating the sphere of economic activity from politics. With its trust in the autonomy and self-balancing character of markets, the classical theory failed to appreciate the role of state and public institutions in balancing the instabilities of the market. This was true as much in regard to the weak political responses to the Great Depression in the early 1930s as it was with the totalitarian regimes of Europe that grew out of the fundamental disappointment in the inaptitude of liberal politics. Thus, while problems of direct domination and excessive use of power still persist, they are often surpassed by ideologies and narratives that limit our choices and prevent us from taking action.

The ongoing crisis of European economies has prompted new interest in the theoretical, ideological, and historical foundations of the European economic model.² This is particularly true in the case of the core countries of the Economic and Monetary Union (EMU), the “euro zone”, with its deep structural problems such as uneven trade surpluses, different levels of production and the fragility of the financial sector. The analysis of these problems, respectively, often rests on diverging economic and political premises. According to some, the countries of Southern and Northern Europe were too different to form a common currency area; according to others, these differences indicate the necessity of a genuinely political union that could even out the imbalances of the euro zone.³ While the “euro crisis” itself has been constructed primarily as an economic problem, it has had wide repercussions to our ideas of democracy, state sovereignty, and social rights.⁴

In the research literature, questions concerning the European economic model are often discussed under the title of “economic constitution”.⁵ Here, the concept of constitution refers not only to a basic legal framework but the overall ideological and institutional solutions that have shaped the post-war European economies on both national and European-wide level. In the case of the EMU, the concept answers the basic question as in what ways should economy be

2 See e.g. TUORI & TUORI 2014, YOUNG 2014.

3 Regarding the first line of interpretation, see e.g. SINN 2014. HABERMAS 2013 pays particular attention to the growing role of “executive federalism” within the EU, and emphasizes the need of a genuinely political union.

4 On the development of the European idea of welfare state in the past decade, see in particular HEMERIJCK 2013.

5 See STREIT & MUSSLER 1994. A recent contribution by TUORI & TUORI (2014: 231ff.) spells out two different aspects of “economic constitution” of the EU: (i) the “microeconomic constitution” that consists of free market principles and competition law; (ii) the “macroeconomic constitution” that limits the budget autonomy of individual states.

regulated on the European level, and to what extent should individual states give away their economic and political sovereignty. The main traditions of this idea are usually divided in two.⁶

- (i) The French tradition, often referred to as *gouvernance économique* ("economic governance") or dirigisme, is most often defined in terms of active macroeconomic coordination. Historically, this tradition has been linked to a set of policies such as indicative planning, protectionism, and demands for stronger regulation. Alongside with Keynesian ideas, the concept has also been linked to an overall democratization of economic policy.
- (ii) The German component, sometimes referred to as *Ordnungspolitik* (i.e., politics of order), is perhaps best known from the tradition of ordoliberalism. Historically, this tradition has accentuated the role of common rules and a strong legal framework as the basic mechanisms of macroeconomic coordination. Ordoliberals have been in favor of strong executive institutions such as politically neutral central bank that ought to guarantee the stability of price mechanism; moreover, they have been in favor of strict competition laws that seek to regulate the markets by dismantling monopolies, and preventing the abuse of controlling market positions. In the case of the EMU, the ordoliberals have accentuated the role of budget rules (e.g., the Maastricht criteria limiting sovereign debt and budget deficits) as well as a politically neutral European Central Bank (structurally modeled on the basis of German *Bundesbank*).

Although the current crisis is far from being over, it can be well argued that majority of the actual responses to the current euro crisis have been in favor of the ordoliberal tradition.⁷ Institutions such as the European Commission and the European Central Bank have gained new competences and responsibilities, the so-called fiscal compact has strengthened the control and implementation of budget rules, and there has been little effort for the promotion of EU wide investment policies. Not only has Germany turned out to be the strongest of European economies by output, but it seems to have won the ideological battle on the basic narrative on what went wrong with the crisis and how to fix it. Common rules were broken – thus, the legal framework must be strengthened.⁸

⁶ See e.g. STREIT & MUSSLER 1994; LABROUSSE & WEISZ 2001.

⁷ On a critical reading of ordoliberalism in the management of the euro crisis, see e.g. YOUNG 2014.

⁸ An illuminative example of this is the *Bundesbank* president Jens Weidmann's speech "Of dentists and economists – the importance of a consistent economic policy framework" before the Juristische Studiengesellschaft, Karlsruhe, 11 February 2014. The speech is available at <http://www.bis.org/review/r140217c.pdf>.

German ordoliberalism, however, is not a single and unified historical tradition. Its roots can nevertheless be traced back to the so-called Freiburg School of National Economics, in particular, to the work of economists Walter Eucken (1891–1950), Adolf Lampe (1897–1948), and Friedrich Lutz (1901–1975). Together with jurists such as Franz Böhm (1895–1977) and Hans Großmann-Doerth (1894–1944) the economists made up the so-called Freiburg Circles that served as an important platform for different resistance movements during the National Socialist era.⁹ The ordoliberals, in particular, played a central role in the transition from the planned war-time economy to the “social market economy” of the post-war period and the creation of the so-called *Wirtschaftswunder*, the German economic miracle.¹⁰ Ludwig Erhard (1897–1977), who served as a Minister of Economics under Chancellor Adenauer from 1949 onwards – and became the chief economic architect of the Federal Republic – was a strong proponent of ordoliberal policies, contributing strongly to the post-war currency reforms and the creation of a politically neutral *Bundesbank* in 1957.

Although the concept of neoliberalism was attached also to ordoliberals in the 1950s and 1960s, their views on the role of state and social policies differed rather substantially from the more laissez-faire oriented versions of Austrian or (later) Chicago-based neoliberalism.¹¹ Free market economy, according to ordoliberals, could only function within a competitive environment that is sustained by a strong and effective legal framework – what both Eucken and Böhm called an “economic constitution” (*Wirtschaftsverfassung*).¹² The ordoliberals criticized both Fascism and Socialism for their trust in central planning, and argued against Keynesianism that all decisions concerning employment and the rate of investment should be left to the market participants themselves. The conscious shaping of political institutions and legal culture, rather than mere trust in the invisible hand of the market place, was to be made the basic principle of liberal governance.

As Foucault and others have emphasized, Eucken’s original insights on the role and idea of economics as science were significantly influenced by another

9 On the programmatic declaration of ordoliberalism, see introduction in Böhm 1937. The concept “ordoliberalism” is a later invention, and it refers to the journal *ORDO* established by Eucken and Böhm in 1948. See PTAK 2009, VANBERG 2001a, 2001b.

10 SALLY 1996.

11 For a good analysis of the differences between ordoliberalism and the Austrian School, see PTAK 2009. Erhard, however, participated in the meetings of The Mont Pèlerin Society, the main forum of (mainly) Austrian and US neoliberalism. On the relation between MPS and Freiburg School, see VANBERG 2001b, 17 ff.

12 EUCKEN 1989, 52ff., BÖHM 1937, xix.

Freiburgian movement, Edmund Husserl's phenomenological philosophy.¹³ This influence was both professional as well as personal, as Eucken, who arrived at Freiburg in 1927, developed a lasting relationship with Husserl that ended only in latter's death in 1938. Husserl became the godfather of Eucken's daughter Irene, and the Eucken family was one of the few to attend the funeral of the otherwise academically isolated Husserl. As Foucault suggests, what Eucken acquired from phenomenology was a new idea of economics as a rigorous science, which was to avoid the historical relativism of the Historical School of Economics, represented by thinkers such as Wilhelm Roscher (1817–1894) and particularly Gustav von Schmoller (1838–1917), as well as the empty apriorism of the Austrian School represented by Carl Menger (1840–1921), Eugen von Böhm-Bawerk (1851–1914) and Ludwig von Mises (1881–1973). Economics, in Eucken's view, was to go beyond mere historical typification of economic systems, but it was also to overcome the level of pure calculation of the interests of individual economic agents. As a form of science, economics was to commit itself to the search of universally valid truths and laws, but it was to attach its analysis to the concrete development of existing economies. Abstraction and ideation, rather than speculation and construction, were to be made the central principles of economic analysis. Law and history, rather than pure moral philosophy, were to assist economics in implementing its normative tasks.

This article takes a closer look at Eucken's idealistic understanding of economics and its relation to Husserlian phenomenology. It argues that while Eucken based his approach ("everyday economics") on phenomenological premises, he nevertheless failed to appreciate the complexity of Husserl's own theory of ideality, especially its normative implications. In Eucken's early work *The Foundations of Economics* (orig. 1939), the insistence for a rigorous systematic analysis of different types of production translated into a rather limited account concerning primarily legal-institutional aspects, the so-called "rules of the game". Eucken's main theoretical contribution, his theory of the "ideal forms" of economy, relied fundamentally on the demand for exactness as the basic criteria for scientific universality. This entailed that economics, despite its debt to moral philosophy and history, relied essentially on a modern understanding on the role of theory as a law-oriented analysis. As I would like to propose as a working hypothesis, Eucken's interest in the problem of constitutional choice and legal norms can be understood, at least in part, on the

13 See especially the "Lecture Five" of the biopolitics lectures in FOUCAULT 2008: 101–121. A more detailed analysis has been provided by KLUMP 2003 and KLUMP & WÖRSDÖRFER 2011. For methodological links, see HERRMANN-PILLATH 1994.

basis of his understanding of ideality.

1. Walter Eucken and Everyday Economics

The work of Walter Eucken and the whole ordoliberal movement had its background in the late 19th and early 20th century disputes on the nature and purpose of economic theory. Among Austrian and German economists, this debate was known as *Methodenstreit*, a “controversy over method” (of economics), but it also concerned the status of economics as a theoretical-scientific discipline. In the 19th century, economic problems were analyzed predominantly under the title of “political economy” that focused on questions of production, consumption and trade – what Adam Smith famously defined as *An inquiry into the nature and causes of the wealth of nations*. As an individual discipline, political economy was originally considered as a part of moral philosophy, and it developed in parallel with the social and political philosophy of 18th and 19th centuries. Many of its most important proponents such as Adam Smith, John .S. Mill or Karl Marx were also either moral philosophers, or, they linked the problem of economic activity to normative questions of righteous governance and human nature. Instead of pure, value-free calculation, economics was conceived as a means to translate social and political visions into existing reality.

The *Methodenstreit* erupted with the work of Austrian economist Carl Menger in the 1860s as he defended economics as a purely theoretical discipline that deals with general laws and builds upon theorems and logical propositions. Against the Historical School of Schmoller and others, Menger defended economics as a descriptive science that approaches its subject on the basis of “methodological individualism”: economics deals with the value and allocation of scarce resources by investigating into the choices of individual subjects. It is value-free in the sense that it refuses to answer the normative question on the fair distribution of these resources or the corresponding social model.¹⁴ What it can do, however, is to answer the questions of effectiveness and optimality in production and exchange. Together with so-called marginalism, the work of Menger and the Austrian School led to the formation of neoclassical economics, that is, the standard academic discipline we know today.

In his early works, Eucken placed himself between the two competing poles

¹⁴ With their trust in the market as the most efficient mechanism in the allocation of resources, most representatives of the Austrian School became *de facto* defenders of free market capitalism.

of what he called the “Great Antinomy” between apriorists and historicists.¹⁵ Following Menger and the marginalists, he criticized the Historical School for its lack of systematic approach and defended the a priori character of economic concepts. Economics, Eucken argued, was to be understood as a value-free science that operates with theoretical concepts and goes beyond mere historical analysis of different societal modes of production such as feudalism, socialism, and capitalism. Against the Austrian School, however, Eucken defended the idea of economics as a concrete science that has its foundation in the real activity of individuals and institutions. Instead of producing mere theoretical constructions, economics should also be able to answer to normative and political questions of a properly functioning economic order, its legal, societal and institutional dimensions.¹⁶

For Eucken and the ordoliberal tradition altogether, the concept of order (*Ordnung*) became the central theoretical concept for the analysis of this web of relations that defines a particular system of production. “As the course of everyday economic life proceeds differently according to the form of the economic system,” Eucken wrote, “the knowledge of the different kinds of orders is the first step towards understanding of economic reality.”¹⁷ Instead of mere division of labor or relations of power, the concept of order – or economic order (*Wirtschaftsordnung*) – referred to the overall institutional, legal and spiritual aspects of a particular economic system. Encompassing technological advancements as well as cultural and ethical norms, the concept of order was thus to be understood as a kind of “economic lifeworld” that is always given to its subjects in concrete experience. Echoing the Medieval concept of *ordo*, an economic order is experienced by its subjects as normatively demanding, as both desirable and “natural”.¹⁸ In most cases, the subjects of an economic order do not view it as an external force but as how things are and how they ought to be.

Although Eucken spoke of various economic orders from those of the Classical period in Greece to Medieval and contemporary ones, all of them having their unique ways of arranging production, distribution and exchange,¹⁹ the task of scientific observation was to grasp the question of economic order as a «universal problem»²⁰, as a question of the most general features and

15 EUCKEN 1950, 47ff. For a more detailed analysis of Eucken’s place in economic history see e.g. GOLDSCHMIDT 2013.

16 EUCKEN 1989, 240.

17 EUCKEN 1989, 58.

18 EUCKEN 1950, 373.

19 EUCKEN 1950, 75.

20 EUCKEN 1950, 30.

elements. In this regard, economics was to go beyond the variety of individual orders and ask, what are the basic forms on the basis of which individual economies acquire their character? What are the basic morphological or ideal characteristics of this regional ontology?

Perhaps the most central element in Eucken's approach to the question economic orders was his emphasis on currently adopted "rules of the game" (*Spielregeln*).²¹ To recognize and understand a particular economic order, one must ask what are the basic norms and principles that constitute the framework in which economic activity takes place. Ultimately, economic systems do not differ from each other on the basis of division of labor, the level of technological advancement, or who controls the prices, but on the basis of those structural components and rules that define the activity of economic subjects. In modern societies, this function is exercised primarily by constitution that both reflects the general norms of the people and constrains the powers of both the sovereign as well as individual economic actors. While private law plays an important role in regulating the relations of individual subjects (e.g., contractual law), it is the constitutional order that defines the identity of economic actors and provides them with their respective level of freedom. It is thus *law*, and not the choices of individuals, that constitutes the central element in the analysis of economic order.

Evidently, Eucken's critical remarks were targeted against both classical and neoclassical economists, who had dismissed the questions of order and governance. With their trust on the natural character of market economy – what Hayek later called the "spontaneous order" – both traditions failed to appreciate the basic constitutional issues such as regulation and the stability of price mechanism. While Adam Smith's "invisible hand" may have worked in small, semi-closed market economies, the production chains and business cycles of the modern world were infinitely more complex and prone to all sorts of disruption. Thus the basic normative problem of economics was to be presented in a new way, as a question of the fundamental order:

The problem will not solve itself simply by our letting economic systems grow up spontaneously. The history of the century has shown this plainly enough. The economic system has to be consciously shaped. The detailed problems of economic policy, trade policy, credit, monopoly, or tax policy, or of company or bankruptcy law, are part of the great problem of how the whole economy, national and international, and its rules, are to be shaped.²²

²¹ EUCKEN 1950, 186 ff.

²² EUCKEN 1950, 314.

It is not surprising that Michel Foucault, in his *Collège de France* lectures on biopolitics, took Eucken to be one of the historical originators of “neoliberal governmentality”, the conscious implementation of a rational model of governance onto existing reality. For Foucault, neoliberalism was a deeply idealistic movement that was highly skeptical of “natural” social roles and traditional practices. As especially the U.S. neoliberalist thought, the logic of economic relations was to be extended to all areas of human interaction, from education to penal justice, from labor to love. It is in this idealistic pursuit originated by Eucken and the ordoliberal tradition, Foucault argues, «that Husserl’s influence is easily recognizable – we are dealing here with naturalistic naivety.»²³ As Husserl had criticized psychologism and naturalism for their tendency to reduce all psychological and spiritual phenomena into empirical, natural processes, Eucken presented the same critique to classical economics. Instead of merely deducing general principles from existing economies, the domain of economics as science was to be constructed, from beginning on, as a science of ideal forms that refuses to take any system of production as natural or necessary. Rather, and this in Foucault’s understanding, the ideal form itself was to correct the imbalances and imperfections of a market left on its own. Unlike classical liberalism that emphasized laissez-faire as the basic principle of economic governance – the best government is the one that governs the least – the ordoliberals emphasized the role of state and constitutional order in promoting and securing the best possible functioning of the market.

While Eucken’s insistence to construct economics as an eidetic science was influenced by Husserl, we should not take the ordoliberal theory as a simple application of phenomenology. What Eucken neglected, in particular, was the complexity of Husserl’s theory of ideal forms; he took exact, law-like ideality as the basic paradigm of scientific universality. This move, I argue, not only led to a rather static view of the economic domain but it also had significant normative implications for economics as a whole. However, in order to understand this relation of influence in more detail, let us take a closer look at the problem of ideal forms in both Eucken and Husserl.

2. Eucken’s Ideal Forms: Law and Normativity

While Eucken’s own theory of ideal forms was influenced by a number of

²³ FOUCAULT 2008, 172.

sources, it appears that Husserl's *Investigations* were among the most prominent ones. In Eucken's early works *Foundations* and *Kapitaltheoretische Untersuchungen*, in particular, most of the references to Husserl deal with his understanding of ideality and its philosophical-scientific implications. While Weber's theory of "ideal types" served as an important conceptual point of reference, Eucken seemed to be impressed by Husserl's concrete, experience-focused approach to ideality, and its ability to approach abstract concepts in parallel to the "development of facts". This emphasis was linked to Eucken's criticism of the Austrian School that shared the motives of idealism and apriorism but lacked an understanding of their role in concrete economic relations. «Instead of looking for and finding the order and interrelations in the seeming chaos of facts», Eucken argued, «they [i.e., other economists] construct a chaos of concepts supplementary to the facts.»²⁴ Without a firm link to experience, ideal forms tend to lose their concrete character and become mere tools in of an "architectonic play". Above all, they become useless in analyzing historically developing phenomena such as economic orders.

Eucken himself employed the term *abstraction* to describe this search for universality that both «starts from the individual fact» and remains firmly anchored in it.²⁵ The task of the economist, he argued, is not to look away from historically developed orders, but to step into the «path of abstraction» and work towards the analysis and isolation of their ideal features.²⁶ The problems of monopolies and credit bubbles, for instance, appear only in market economies with developed central institutions and a banking system. They are not, however, problems that would characterize merely seventeenth-century mercantilism or contemporary financial capitalism. The possibility for the emergence of monopolies and cartels defines all such economies that are based on competition and in which the power of producers is not limited. They are universal problems that have significance beyond their individual instances.

Husserl, likewise, had used the concepts of abstraction and ideation to describe the process through which the phenomenologist is able to acquire knowledge on the ideal features of a particular thing or a domain of being. Against a sharp distinction between empirical facts and ideal essences, Husserl was in favor of a more gradual understanding of ideality, ranging from empirical generalities to essential and non-essential types, from "bound idealities" – idealities that cannot be understood without reference to the real world (e.g., artistic ideas such as Goethe's *Faust*) – to "free idealities" that need

²⁴ EUCKEN 1950, 54.

²⁵ EUCKEN 1950, 107ff., 332.

²⁶ EUCKEN 1954, 19.

no such reference. Neither are all idealities exact as in the case of mathematical or logical ideas but our experience knows a variety of inexact idealities that cannot be defined once and for all. The idea of state, for instance, differs radically from the objects of Euclidean geometry; it cannot be formalized, but it can be analyzed by means of eidetic abstraction that aims at discovering its necessary features (e.g., a state is a limited territoriality intended by a collective of subjects).²⁷ Different “regional ontologies”, which deal with the ideal foundations of individual sciences, are not given to us in advance. Rather, they are the products of an active, rigorous analysis of different domains of being.

In his own analysis, Eucken was convinced that all economies can actually be conceived of as varieties of two basic forms: the “exchange economy” and the “centrally directed economy”.²⁸ These ideal forms, he argued, were to be conceived as a sufficient answer to the basic problem of economy as a regional ontology: «No other types of economic system, or even traces of others – besides these two – are to be found in economic reality past or present.»²⁹ In accordance with the concept of order, Eucken treated these forms as two competing answers to the question of basic “rules of the game”. Whereas in centrally directed economy, the basic choices of production and exchange are coordinated by a central authority, in exchange economy this power is left to the economic agents themselves. To be more specific, in exchange economy it is the market that ultimately resolves the problem of scarcity, and consequently, directs the allocation of resources. Whether we are dealing with a household, a small community or a nation state, the basic character of all economic systems can be defined according to this basic choice on how to allocate resources.

Both of these forms, however, are in fact defined by a number of sub-forms.³⁰ Centrally directed economies, for one, can either be totally governed by central authorities such as state institutions, or, they may allow consumers to either choose or exchange whatever goods are being produced. Exchange economies, on their part, can be divided into barter and monetary economies and the latter further into simple (exchange-money) and more complex (credit-money) forms.³¹ Characteristic of these latter forms is the fact that relations of value are expressed in an objective form, that is, in prices. As in modern economies the control of the monetary system is often in the hands of a state-controlled executive institution – in most cases, a central bank – the choice between centrally directed economy and exchange economy is essentially not one of

²⁷ HUSSERL 1984, § 65.

²⁸ EUCKEN 1950, 117 ff.

²⁹ EUCKEN 1950, 118.

³⁰ EUCKEN 1950, 119 ff.

³¹ EUCKEN 1950, 129 ff.

state control vs. total absence of state. Moreover, individual economies – as they accrue to different sets of rules – can be characterized according to both ideal types.³² A single household, for instance, may compete with its goods in the market place, yet decide on the division of resources patriarchally; a country may allow free trade while being protectionist in its foreign trade. What is important in determining the order is thus the choice of rules, not the division of labor or the level of technological advancement.

Although Eucken's theoretical scope was rather wide, most of his concrete analyses dealt with the problems of existing centralized economies. One of the main implications of this theoretical framework was that it did not oppose socialist and (war-time) fascist systems with each other, but treated them as two variations of a single ideal type. While Eucken criticized classical economists for their trust in the naturalness of market economies, he nevertheless shared their trust in the market as the most efficient and transparent mechanism to resolve the question of scarcity. Especially with the case of complex production chains such as those of the industrialized world, it is only a competitive market with a reliable pricing system that can take care of the efficient allocation of resources. Thus, the single most important task of central government is to secure a viable pricing system that consequently promotes competition among economic actors. In contemporary societies, this is done most reliably through a politically independent central bank – a topic that became one of the central themes of the whole ordoliberal tradition.

It is important to note, however, that while Eucken's thinking was naturally informed by the German hyperinflation of the early 1920s – and the rather *ad hoc* monetary policies of the National Socialists (e.g. the creation of the Office for Price Formation) – his argument for the neutrality of the central bank was above all theoretical. Although historical examples have shown the dangers of a non-neutral pricing systems, the idea that government ought to promote stable monetary policy via politically neutral central bank could be derived naturally from the ideal form of (a complex) exchange economy. The same goes for his argument against cartels and monopolies. Although there is historical, empirical data that speaks for the harmfulness of monopolistic positions, the main reason for their dismantling is theoretical. Cartels ought to be resisted and fought against by the government because they violate against the basic principles of the market by tampering the pricing mechanism. What is important is that the realm of ideal forms is not one of vague abstractions, but they are governed by several theoretical principles, consistencies and laws.

Here, I believe, it is important to pay attention to yet another influential point

³² EUCKEN 1950, 232.

that Eucken acquired from Husserl's theory of ideal forms: the centrality of the concept of law. It is indeed remarkable that several of Eucken's references to Husserl's work are in fact related to the law-like character of science and its search for ideal forms. For instance, in a passage from *Investigations* that Eucken explicitly quotes in the *Foundations*, Husserl speaks of science as a «means towards the greatest possible conquest of the realm of truth by our knowledge», a realm that is «no disordered chaos, but is dominated and unified by law.»³³ What Husserl intended here, first of all, was that the search for ideals must be conducted in a systematic manner, proceeding from elemental principles to higher-level abstractions, from simple forms to complex ones. «The aim», he writes, «is not merely to arrive at knowledge, but knowledge in such degree and form as would correspond to our highest theoretical aims as perfectly as possible.» Ultimately, science is a system, although always necessarily an incomplete one. But it is only this systematic character, Eucken concludes, that can do justice to the «interdependence of the whole economic system», to treat economic phenomena as part of a single whole.³⁴

Interestingly, in another passage referred to by Eucken, Husserl makes an explicit parallel with the highest scientific forms of ideality and the concept of law.³⁵ “There is undeniably a subjective, experiential distinction that corresponds to the fundamental objective-ideal distinction between law and fact”, Husserl writes, and continues:

If we never had experienced the consciousness of rationality, of apodeicticity in its characteristic distinction from the consciousness of facticity, we should not have possessed the concept of law. We should not have been able to distinguish generic (ideal, law-determined) generality from universal (factual, contingent) generality, nor necessary (i.e., law-determined, generic) implication from factual (i.e., contingently universal) implication.³⁶

In the classification of universality, those highest forms of ideality that deserve to be called *apodictic*, that is, completely evident and absolutely certain, are indeed law-determined. These truths, which Husserl delineates with the Leibnizian expression *vérités de raison*, include naturally truths of logic but also those of other exact sciences that operate with purely ideal concepts, such as

³³ EUCKEN 1950, 304.

³⁴ Ibid.

³⁵ EUCKEN 1954, 29.

³⁶ HUSSERL 2001, 90. See also Eucken's reference to Husserl's *Philosophy as Rigorous Science* in EUCKEN 1950, 321.

mathematics and geometry. Of course, other scientific generalizations can take the form of law despite they lack this complete certainty as in the case of inductive universalizations (“All swans are white”) or the laws of mechanics, for instance. However, it is only pure ideas whose lawfulness is normative in the pregnant sense. The laws of logic, for instance, are not purely theoretical ideas but absolutely binding principles for rational thinking altogether. Logic not only describes but *prescribes* the rules science – and thus, it is to be understood, ultimately, as a practical discipline. And here, Eucken claims, the insights of his theory «go hand in hand with the theory of science of significant logicians [i.e., Husserl, Lotze, Bolzano].»³⁷

However, it is crucial to note that Husserl’s analysis on the practical applicability of scientific knowledge – or, what he called the “normative turn” of theoretical propositions – was in fact much more complex than Eucken seemed to acknowledge. In his ethical writings, for instance, Husserl came to oppose the classical Kantian view of normativity as a strictly law- or rule-oriented type of reflection. Against the absolutely binding character of the Kantian categorical imperative (“Act only according to that maxim whereby you can at the same time will that it should become a universal law without contradiction”), Husserl emphasized the fundamental relativity of ethical obligations, and formulated his own maxim in terms of striving at «best possible at a given moment» (*das zur Zeit bestmögliche*).³⁸ Instead of universal laws, Husserl spoke of two types of “ideals of perfection” – absolute and relative – that fundamentally remind us of the finitude of our capabilities and the relativity of our carrying situations. While we always ought to act on the basis of best possible evidence, it is necessary to separate our everyday, relative ideals from such absolutely binding principles that would require complete certainty and self-transparency. This concerns also our social and political institutions that are always incomplete formations and ought to be treated as such.

For this reason, Husserl actually argued that renewal (*Erneuerung*), both personal and communal, should be understood as the key theme of ethics.³⁹ Ethical action and moral consideration should not be understood on the basis of ideal laws or eternal principles, but as fundamentally context-dependent and relative to the possibilities and capabilities of the individual. The possibilities of an educated middle-class person with a stable income are naturally greater than those of a materially or socially deprived individual.

³⁷ EUCKEN 1954, 29.

³⁸ HUSSERL 1988, 36.

³⁹ HUSSERL 1988, 20.

And although social and political institutions such as education are able to compensate for some of the inequalities, even they are never perfect. For this reason, the critical inspection and renewal of our own personal convictions as well as communal practices is the key to understanding normativity in dynamic terms.

What the ordoliberal vision of economics fundamentally neglected was this *de facto* inequality that characterizes both the market participants as well as the actual institutions. This, I argue, resulted from Eucken's fundamentally grasp of the market as a game structured by ideal rules and principles. While he did not consider economics as a purely ideal science in the manner of the Austrian School, *he nevertheless took law-like generality to be the central model for his understanding of ideality in economics.*

This entailed, first of all, that Eucken understood economics as consisting of an analysis of the fundamental laws and regularities of different economic orders, in particular, their ideal forms. Economics was to be understood primarily as an *exact science* that deals with the institutional side of production and exchange, the so-called rules of the game. Secondly, on the basis of his concept of order, Eucken took law (constitutional order) to be also the central instrument through which the normative task of economics as a science is implemented. For him, the central problem of economics as a normative discipline resolved into a question of an ideal model best prepared to meet the demands of a viable price system and free competition. His main concern was how to protect the legal framework of the state from the influence of different "pressure groups", and not how to promote the powers of human action and democratic deliberation.

Thus, what began as a project of reclaiming the role of political institutions for a functioning economy, resulted in a strict separation between economics and politics. The economy rests on the fundamental decision – the constitutional choice – but after this choice has been made, there is no longer room for genuine politics within the economic domain. There is only economics – the optimization and perfection of the ideal "rules of the game". As Eucken concludes in the *Foundations*, the task of the economist is not that of «discussing doctrines or ideologies but of concrete organization.»⁴⁰

40 EUCKEN 1950, 315.

Conclusion

As I have argued in this paper, while Walter Eucken's theoretical framework – particularly, his understanding of ideality – was deeply influenced by Edmund Husserl's phenomenology, the normative implications of his theory of ideal forms turned out to be problematic. While Eucken emphasized the embeddedness of ideality in concrete experience, he nevertheless ended up positing a specific type of ideality – exact ideality – in his analysis of economic orders. Economics, like the natural sciences, was to become a fundamentally value-free study of economic phenomena such as production, distribution and exchange. Instead of serving national interests or moral visions, it was to construct a normative ideal of its own based on a fundamentally apolitical view of the economy. On the other hand, as this interest developed into a question of economic constitution, economics became a *de facto* political and moral program. It presented a vision of society based on a controversial split between politics and economics, and a highly problematic view on executive and legislative powers. While acknowledging the scientific virtue of universality, ordoliberalism produced a fundamentally ahistorical picture of production and exchange that seemed to avoid questions of power, class, and inequality.

Thus, while Foucault was quite right in accentuating the central influence of Husserl for Eucken's theoretical position, it would be incorrect to consider ordoliberalism as a simple application of the phenomenological method to economic reality. While ordoliberalism shared the mistrust in what Husserl called "false objectivism" of modern sciences (i.e., naturalism, historicism), it led to a problematic hypostatization of law and order as the basic tools of economic policy. By doing so, it presented a static vision of normative ideals, neglecting the more dynamic aspects of Husserl's ethics that aimed at a comprehensive theory of human renewal.

These ideas and problems are not only of historical relevance. They play a major role in today's Europe, especially within the Economic and Monetary Union of the European Union. Unlike neoliberalism, which has become a deeply polemical notion used mainly by its opponents, ordoliberalism continues to thrive also in the language of the official Europe.⁴¹ Not only have we witnessed the strengthening of the ordoliberal, rule-based framework for economic policy within the euro area but also the growing power of

41 As Jürgen Stark, the chief economist of the ECB (2006-2011) put it, Eucken's *Foundations* «has been a constant source of inspiration throughout my career. Eucken's main insight was that a market economy can only flourish in a sustainable manner if certain timeless principles are adhered to.» STARK 2008.

institutions such as the European Commission and the European Central Bank. There is a deep mistrust towards all European-wide fiscal policies such as countercyclical spending or the harmonization of taxation. Even monetary policy should be returned back to the rule-based framework as German ordoliberal economists have criticized the extraordinary measures (such as QE) that have been taken up by the ECB in order to tackle deflation. Rules and market discipline seem like the only way forward.

Democracy, however, is more than a game according to pre-established rules. It is the capability to take a critical stance towards these rules, to deliberate them, to transform and renew them. The modern liberal view according to which law should limit the powers of the sovereign may be the condition of liberal democracy; however, we should be aware that this limitation comes with a price, and that is the disappearance of the “people” as a constitutive principle of politics. In today’s Europe, we are only able to decide nationally which instruments of austerity are we to implement; the key decisions concerning monetary policy or European-wide fiscal policies are left to the “experts”. Thus, the key “democracy deficit” of the EU – today - concerns not only the lack of a European *demos*, but more importantly, the changed institutional structure of the economic governance.

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